

# **Commonwealth of Massachusetts HOME Rental Housing Program Application Guidelines**

## **A. Overview**

The Department of Housing and Community Development (DHCD) uses HOME funds to support the acquisition and/or rehabilitation of existing structures, including distressed or failed properties, for multi-family rental use. DHCD also uses HOME funds to support the new construction or reconstruction of multi-family rental projects.

The U.S. Department of Housing and Urban Development has promulgated regulations and issued guidelines governing the use of HOME funds for rental housing. All applications to DHCD for HOME rental housing must conform in every respect to HUD's requirements.

Applicants for HOME rental housing may seek any of the distribution forms allowed by HUD regulations (i.e., low-interest loans, zero-interest loans, deferred-payment loans, etc.). The Commonwealth does not encourage applications for grants. Priority for funding will be given to projects that meet the criteria included in these guidelines on pages 4-5.

## **B. Eligible and Ineligible Property Types**

HOME rental housing funds may be used for the following types of properties:

- One or more buildings on a single site that are under common ownership, management, and financing.
- Scattered-site properties that are under common ownership, management, and financing; and receive HOME assistance as part of a single project.

DHCD will not accept rental applications for projects containing less than 5 HOME-assisted units and encourages applications for projects containing no more than 50 units. Please note that projects containing twelve or more HOME units must conform to all provisions of the Davis-Bacon Act.

HUD regulations prohibit the use of HOME funds for rental housing for the following types of properties:

- Public Housing modernization projects;
- Projects assisted under Title VI of National Affordable Housing Act/Prepayment of mortgages insured under the National Housing Act;
- Projects funded through the federal Rental Rehabilitation program.

## **C. Eligible and Ineligible Rental Housing Costs**

HOME funds for rental housing may be used for development hard costs and soft costs. Eligible hard costs include:

- Cost of constructing or rehabilitating housing;
- Cost of acquiring property or vacant land;

- Cost of essential improvements including energy-related repairs or improvements, improvements to permit use by persons with disabilities, abatement of lead-based paint hazards, and repair or replacement of major housing systems in danger of failure
- Cost of making utility connections;
- Cost of site improvements such as on-site roads and sewer and water lines; and,
- Cost to demolish existing structures.

Eligible related soft costs include:

- Financing costs, such as building permits, legal and developer fees, property appraisals, credit and title costs, etc.;
- Engineering, architectural, or related professional services;
- Initial 18 month operating deficit reserves for new construction or rehabilitation projects;
- Project audit costs;
- Relocation costs, affirmative marketing, and fair housing information; and,
- Staff and overhead costs directly related to carrying out the project.

**HUD requirements specifically state that project soft costs must be "reasonable and necessary".**

State HOME rental program funds may not be used to:

- Provide project reserve accounts (except for initial 18 month operating deficit reserves as described above), or operating subsidies;
- Provide project-based rental assistance;
- Provide non-federal matching contributions required under any other federal program;
- Provide public housing operating subsidies;
- Provide assistance to a project previously assisted with HOME funds (except tenant based rental assistance or first-time homebuyer assistance) during the established period of affordability; or,
- Acquire property owned by the Commonwealth of Massachusetts, unless the property is acquired in anticipation of carrying out a HOME project.

#### **D. Property Standards**

Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable, one of three model codes: the Uniform Building Code; the National Building Code; or, the Standard Building Code. All other HOME-assisted housing must meet all applicable State and local housing quality standards and code requirements but at a minimum, Section 8 Housing Quality Standards (HQS). In addition, new construction must meet the model energy code, as published by the Council of American Building Officials. Housing must meet the accessibility requirements of The Americans with Disabilities Act, Fair Housing Act at CFR 100.205 and Section 504 of the Rehabilitation Act of 1973.

**HUD federal lead-based paint regulations at 24 CFR Part 35 now apply to all projects that are awarded HOME monies.**

#### **E. Expenditure Limits for Rental Production**

At present, DHCD will not review applications for projects located in HOME entitlement/consortium communities requesting more than **\$50,000** per HOME-assisted unit or projects located in non-entitlement communities requesting more than **\$65,000** per HOME-assisted unit. In addition, DHCD limits per project HOME requests to **\$750,000**.

#### **F. Rental Rates and Long-Term Affordability**

DHCD requires that all HOME assisted rental units be affordable to persons at or below 60% of the area median income.

At least 20% of the HOME units must be leased to very low-income families at the “low” HOME rent that is either:

1. A rental rate not greater than 30% of the gross annual income of a family whose income equals 50% of the area median income, minus tenant paid utilities, or
2. A rental rate not greater than 30% of the individual or family’s adjusted income, minus tenant paid utilities.

**Please Note: If the units receive federal or state project-based rental subsidies and are occupied by very low-income families paying no more than 30% of their monthly adjusted income toward rent, then the maximum rent (i.e., tenant contribution plus project-based subsidy) is the rent allowable under the project-based subsidy program.**

The remaining HOME-assisted units may be leased at the “high” HOME rent, that is the lesser of either:

1. The Section 8 Fair Market Rent (FMR) or area-wide exemption for existing rental units, minus tenant paid utilities, or
2. A rental rate equal to or less than 30% of adjusted income for individuals or households at 65% of median, minus tenant-paid utilities.

To ensure long-term affordability, all HOME funded rental units will remain subject to certain tenant income and rent restrictions. The affordability restrictions remain in effect for the stated term, even if the project is sold or the loan is repaid. DHCD’s HOME rental loans carry 30-year terms, during which time the affordability restrictions apply. If a loan is extended by mutual agreement of the owner and DHCD, the affordability restrictions also will be extended accordingly.

## **G. Eligible Occupants of Rental Units**

At the time the HOME funds are invested or at the time of occupancy, whichever is later, all HOME-assisted units must be occupied by households whose annual incomes are at or below 60% of the area median income.

At least 20% of the HOME units must be occupied by households with annual incomes at or below 50% of the area median income.

At the time of initial rent up and on an annual basis thereafter, project sponsors must certify tenant incomes, rents, and utility allowances and present their findings to DHCD.

## **H. DHCD Funding Priorities**

DHCD has established funding priorities for applications seeking state HOME funds . The funding priorities have been established to support projects with the following special characteristics:

1. Official local support;
2. Part of a comprehensive neighborhood planning effort;
3. Inclusion of Minority Business Enterprise (MBE) members on the development team;
4. Low total development costs;
5. Low soft costs and developer's fee;
6. Minimal request for DHCD assistance;
7. Special needs groups as intended customers;
8. Inclusion of market rate units in the project;
9. Commitment to extended term of affordability;
10. Utilization of HOME funds in "non-entitlement" communities.

**Also, DHCD encourages projects that have non-profit sponsorship. Additional information on preferences for per-unit costs is available from DHCD.**

In addition to the priorities listed above, applicants for state HOME funds should note the following:

- If an application is submitted for a project located in a HOME entitlement or consortium community, the application should include a commitment of local funds. If an application is submitted without a full match, it may not be scored. In general, preference will be given to applications with full match commitments.
- In general, applications seeking a commitment of more than **\$750,000** in state HOME funds for one project may not be competitive.
- In general, applications seeking a commitment of more than **\$50,000** or **\$65,000**, as applicable, in state HOME funds per unit may not be competitive.

**All applicants should note that priority is given to rental projects that are ready to proceed.**

## **I. Resident Selection**

Applications for DHCD HOME funds should include a description of the process that will be used to select tenants. Please note the following:

1. A tenant selection plan may not have the effect of excluding non-residents from a project.
2. If a project desires a local preference/set-aside, it should also have an affirmative action preference/set-aside. However, if the community where the project is to be located

- demonstrates that it is sufficiently diverse in racial makeup that creating a local preference/set-aside will not have a disparate impact on minorities, then no affirmative action preference/set-aside shall be utilized.
3. When scoring applications, DHCD will give higher consideration to projects with wider applicant pools.

#### **J. Application Process for HOME Rental Funds**

Project sponsors seeking HOME funds must submit applications using the One-Stop Affordable Housing Finance Application. Only One-Stop disks and forms will be accepted by DHCD. An application consists of four hard copies, 1 disk, and 1 set of plans. If you are seeking HOME funds in combination with other DHCD resources, please refer to the NOFA for the application requirements. To cover part of the cost of underwriting the project, an application fee also must be submitted. The fee for non-profit sponsors is **\$300** per project; the fee for for-profit sponsors is **\$600** per project. **Checks should be made out to the Massachusetts Housing Partnership Fund.**

Although most development projects change over time, and some projects change substantially, DHCD must evaluate all project applications in a fair and equitable way. The One-Stop application essentially is a “snapshot” of a project on the day of submission. Each project will be reviewed based on the materials contained in the One-Stop on the deadline for all submissions. **Please note:** if you are not using version 5.0 or later versions of the One-Stop, your application should clearly indicate the number of proposed HOME-assisted units.

Applications should be sent to: **HOME Program**

**Department of Housing and Community Development  
One Congress Street, 10th Floor  
Boston, MA 02114**